Testimony of Brian Shapiro
Senate Bill No. 930
February 23, 2009

As a resident of Connecticut I understand the difficult financial times we are all facing. It is important we all do our part to attempt to make things better. I am here to testify today that we in the tobacco industry, in particular my business premium cigars have already made our contribution and any further increases would prove to be counterproductive and in fact have the opposite financial effect.

A few weeks ago President Obama signed a new SCHIP bill which raised many billions of dollars entirely funded by tobacco. Beginning April 1, every premium large cigar will increase in price by .35 cents per cigar or $8.75 per box of 25. The positive financial impact to the State of Connecticut based upon the passing of this legislation is three fold:

- The funds raised are disbursed to the states to insure the currently uninsured children
- Due to the SCHIP tax increase the State of Connecticut automatically realizes an OTP tax increase, as the manufacturer will roll the SCHIP tax into the cost of goods. For the cigar retailer the math is simple and it is as follows: A box of 25 cigars with a manufactures cost of $100 will increase by <u>$8.75(SCHIP) + $1.75(CT OTP 20%) = $10.00 per box.</u>
- The state sales tax of 6% will be calculated on higher sales total.

Premium cigars are a luxury item and in these difficult times with the increases already signed into law any additional increases will certainly prove counterproductive as cigar smokers will either curtail their smoking, buy cheaper cigars or more likely go to the internet or mail order.

As it is, we have already seen a decrease in sales beginning in May of 2008 as compared to the previous year carrying all the way through the Holiday season and into 2009.

I simply ask that all of you consider these factors and I am sure I make a compelling case that a further increase is not only imprudent at this time but also unfair, as we have already done our part. I believe this well is drying up.